

Message Text

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PAGE 01 LIMA 04783 131949Z

ACTION COME-00

INFO OCT-01 ARA-14 ISO-00 EB-07 /022 W

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC 5197

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EO 11652: N/A

TAGS: BENC, PE

SUBJ: MAJOR PROJECT: INDUPERU PHARMACEUTICAL PLANT

REF: (A) STATE 100158; (B) STATE 128971

1. THE EMBASSY INTERVIEWED MR. ADRIAN FAJARDO, GENERAL MANAGER OF INDUPERU AND HIS TECHNICAL ADVISORS REGARDING STATUS OF SUBJECT PROJECT AS REQUESTED BY JACOBS ENGINEERING CO. THE INFORMATION OBTAINED FOLLOWS:

A. INDUPERU'S PHARMACEUTICAL COMPLEX WILL PRODUCE BASIC ANTIBIOTICS FOR THE ANDEAN PACT MARKET. IT WILL HAVE TWO PRODUCTION LINES WITH FOLLOWING INSTALLED CAPACITIES:

FERMENTATION PROCESS: PENICILLIN G 80 TPY

TETRACYCLIN 30
OXITETRACYCLIN 25
ESTREPTOMYCIN 20
ERITROMYCIN 20
175 TPY

SYNTHESIS PROCESS: 30 TONS OF SEMI-SYNTHETIC PENICILLIN PER YEAR. REPORTEDLY, THE INSTALLED CAPACITY OF COMPLEX IS SIZED TO SATISFY LOCAL MARKET DEMAND FOR BASIC ANTIBIOTIC PRODUCTS AND APPROXIMATELY 22 PER CENT OF DEMAND OF THE OTHER ANDEAN PACT COUNTRIES. ABOUT 80 PER CENT OF RAW MATERIALS REQUIRED ARE UNCLASSIFIED

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PAGE 02 LIMA 04783 131949Z

AVAILABLE LOCALLY.

B. LOCATION OF COMPLEX HAS STILL NOT BEEN DECIDED BUT SELECTION WILL PROBABLY BE EITHER CHICLAYO OR AREQUIPA.

C. COMPLEX WILL INVOLVE SOME US\$20.8 MILLION IN EXPENDITURES, OF WHICH 38.5 PER CENT IS FOR LOCAL COSTS. THE AMOUNT INCLUDES

COSTS OF:

STUDIES	\$ 1.4 MILLION
CIVIL WORK	2.7
EQUIPMENT	14.2
OTHER EXPENDITURES	2.5

D. ORIGINAL FEASIBILITY STUDY OF PROJECT WAS DONE BY BATTELLE MEMORIAL INSTITUTE COLUMBUS LABORATORIES (BCL) OF COLUMBUS, OHIO.

E. IN JUNE, 1974, BIDS WERE CALLED FOR SELECTING TECHNOLOGY REQUIRED FOR THE PROJECT AND IN JULY, 1974 ARTHUR MCKEE & CO. OF CHICAGO WAS ENTRUSTED WITH EVALUATING OFFERS AND TO ASSIST INDUPERU IN TECHNICAL ASPECTS OF PROJECT. APPARENTLY RESULTS OF BIDDING DID NOT SATISFY INDUPERU'S EXPECTATIONS AND THE LICITATION WAS DECLARED VOID. REPORTEDLY MAJOR AMERICAN MANUFACTURERS WERE NOT WILLING TO REVEAL THEIR TECHNICAL KNOW-HOW. CONSEQUENTLY, INDUPERU HAS DECIDED TO HANDLE THE PHARMACEUTICAL COMPLEX AS A TURNKEY PROJECT ENCOMPASSING TECHNOLOGY, FINANCING, EQUIPMENT, INSTALLATION, ETC. IN SINGLE PACKAGE.

F. ALL STUDIES, ANALYSES, EVALUATIONS AND PROPOSALS HAVE BEEN SUBMITTED TO THE MINISTRY OF INDUSTRY AND TOURISM FOR APPROVAL. SIX FOREIGN FIRMS, INCLUDING TWO AMERICAN COMPANIES, HAVE EXPRESSED INTEREST IN TURNKEY PROJECT. INFORMANTS WOULD NOT REVEAL NAMES OF FIRMS CURRENTLY BEING CONSIDERED.

INDUPERU ASSURES US THAT OPPORTUNITY FOR OTHER INTERESTED FIRMS IS STILL OPEN BUT THAT COMPANIES SEEKING TO PARTICIPATE MUST BE UNCLASSIFIED

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PAGE 03 LIMA 04783 131949Z

WELL KNOWN AND BE CAPABLE OF HANDLING FULL PACKAGE INCLUDING TECHNOLOGY.

G. CONCURRENTLY, INDUPERU IS CONSIDERING SELECTION OF ENTERPRISE THAT WILL UNDERTAKE OPERATION OF COMPLEX. IN THIS CONNECTION, IT IS ENCOURAGING LOCAL PRIVATE SECTOR TO PARTICIPATE IN FORMATION OF ENTERPRISE'S CAPITAL. FOREIGN INVESTORS CAN ALSO SHARE UP TO 49 PER CENT OF EQUITY. FIRM PROVIDING TECHNOLOGY WILL BE EXPECTED TO PROVIDE MINIMUM 20 PER CENT OF CAPITAL PARTICIPATION. ARTHUR MCKEE INFORMED INDUPERU THAT WORKD BANK WOULD BE INTERESTED IN PARTIALLY FINANCING THIS PROJECT.

H. REVISED STUDY ON SCHEME SHOULD BE COMPLETED WITHIN NEXT TWO OR THREE MONTHS. TIMING FOR ISSUANCE OF TURNKEY TENDER DEPENDS ON DECISION OF MINISTRY OF INDUSTRY AND TOURISM. INFORMANTS STATE TENDER MAY BE CALLED AS SOON AS SEPTEMBER 1977 BUT WE PREDICT CONSIDERABLE SLIPPAGE.

2. A COPY OF FEASIBILITY STUDY SUMMARY IS BEING AIRPOUCHED TODAY

AS REQUESTED.

3. NAME AND ADDRESSES OF KEY CONTACT FOLLOWS:

DR. ADRIAN FAJARDO
GENERAL MANAGER
INDUSTRIAS DEL PERU-INDUPERU
P.O. BOX 1586
LIMA 100
CALLE 7, LA MOLINA VIEJA
LIMA 12, PERU
PHONE: 35-8141; CABLE: INDUPERU;
TELEX: 25400PU-INDUPERU

4. COMMENT: THERE IS NO INTEREST IN INDUPERU IN CONTRACTING
ENGINEERING COMPANY. UNLESS JACOBS ENGINEERING CO. IS ABLE TO
OFFER COMPLETE PACKAGE INCLUDING TECHNOLOGY AND FINANCING IT
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PAGE 04 LIMA 04783 131949Z

WILL NOT BE CONSIDERED AT THIS STAGE. THERE IS POSSIBILITY THAT
INDUPERU MAY DROP THIS PROJECT ENTIRELY BECAUSE OF RELUCTANCE
OF FOREIGN PHARMACEUTICAL FIRMS TO EXPORT THEIR TECHNOLOGY.
ANOTHER POSSIBILITY WOULD BE FOR INDUPERU TO ATTEMPT A LESS
AMBITIOUS SCHEME REQUIRING LESS CAPITAL INVESTMENT.
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Executive Order: N/A
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